

Message Text

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TO AMEMBASSY LIMA

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E. O. 11652: N/ A. DECLASSIFY JUNE 30, 1974

TAGS: BDIS, EIND, PE

SUBJ: CERRO CORPORATION

FOR EDWARD CLARK FROM MYLES FRECHETTE

PLEASE DELIVER THE FOLLOWING DRAFT MESSAGE TO MR. ERNESTO
ALAYZA, CERRO DE PASCO.

BEGIN QUOTE: SIMULTANEOUSLY WITH A SIMILAR STATEMENT BEING
ISSUED BY THE MINISTRY OF ENERGY AND MINES, CERRO
CORPORATION MAKES THE FOLLOWING STATEMENT CONCERNING THE
FUTURE OF CERRO DE PASCO IN PERU.

LATE IN 1971 CERRO CONCLUDED THAT A BASIC CHANGE WAS
REQUIRED IN THE STRUCTURE OF THE ENTERPRISE IN PERU TO
CONFORM TO THE THEN RECENTLY STATED PHILOSOPHY AND POLICY
OF THE REVOLUTIONARY GOVERNMENT.

IN PARTICULAR, THE GENERAL LAW OF MINING, DECREE NO.
18880, STATES " THE DIRECT BUSINESS INITIATIVE OF THE STATE
IS A BASIC FACTOR IN THE DEVELOPMENT OF THE MINING
INDUSTRY." THE LAW FURTHER STATES " THE BUSINESS ACTIVITY
OF THE STATE CAN BE CARRIED OUT NOT ONLY DIRECTLY BUT IN
PARTNERSHIP WITH NATIONAL AND FOREIGN CAPITAL."

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THE NATIONAL DEVELOPMENT PLAN FOR 1971 - 1975 INCLUDES IN

ITS MINING OBJECTIVES " A SUBSTANTIAL DIRECT PARTICIPATION OF THE GOVERNMENT IN OPERATIONS OF PROSPECTING, EXPLORATION PRODUCTION, AND MARKETING" AND " THE STRENGTHENING AND BROADENING OF THE OPERATIVE CAPACITY OF THE GOVERNMENT' S INSTITUTIONS IN ORDER TO ASSURE ITS EFFECTIVE PARTICIPATION IN THE FIELD OF PRODUCTION AND IN THE CONTROL OF PRIVATE ACTIVITY."

THE NATIONAL DEVELOPMENT PLAN FOR 1971 - 1975 ALSO STATES " TRUE MINING DEVELOPMENT ... REQUIRES THE TRANSFORMATION OF THE TRADITIONAL STRUCTURES IN WHICH THIS ACTIVITY HAS BEEN DEVELOPED."

CERRO, AS IS ITS DUTY, HAS STUDIED THESE LAWS AS WELL AS MANY OTHER STATEMENTS IN PUBLIC UTTERANCES OF GOVERNMENT OFFICIALS. FROM THEM WE HAVE INTERPRETED TO THE BEST OF OUR ABILITY THE PHILOSOPHY AND POLICY OF THE REVOLUTIONARY GOVERNMENT WITH RESPECT TO THE MINING INDUSTRY.

TO CONFORM TO THAT PHILOSOPHY AND POLICY CERRO HAS OFFERED TO ASSOCIATE THE CERRO DE PASCO ENTERPRISE WITH THE GOVERNMENT. WE OFFERED TO NEGOTIATE A BROAD SPECTRUM OF POSSIBILITIES, FROM AN OUTRIGHT PURCHASE BY THE GOVERNMENT TO AN ASSOCIATION IN A MIXED COMPANY WITH A 50-50 PARTICIPATION, OR ANY REASONABLE VARIATION THEREOF.

AT THE SAME TIME, CERRO HAS INFORMED THE GOVERNMENT OF ECONOMICALLY ATTRACTIVE MAJOR OPPORTUNITIES FOR INCREASES IN CAPACITY WITHIN THE ENTERPRISE, WITH A TOTAL CAPITAL COST OF SOME DOLS 130 MILLION. THESE EMBODY MAJOR EXPANSIONS ATCOBRIZACASAPALCA AND AT THE SMELTERS AND REFINERIES AT LA OROYA, AND PROVISION FOR INCREASED HOUSING. CERRO ALSO ADVISED THE GOVERNMENT THAT IN ITS OPINION THESE EXPANSIONS SHOULD BE UNDERTAKEN AS AN INTEGRAL PART OF THE PROPOSED SHIFT IN OWNERSHIP REFERRED TO ABOVE.

SUBSEQUENTLY, CERRO HAS BROUGHT THE ENGINEERING OF THE LIMITED OFFICIAL USE

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PROPOSED EXPANSIONS TO AN ADVANCED STAGE AND HAS EXPLORED SOURCES OF FINANCING.

RESPONDING TO CERRO' S PROPOSALS, THE GOVERNMENT IN JANUARY 1972 APPOINTED A SPECIAL COMMISSION, UNDER THE PRESIDENCY OF GENERAL DE BRIGADA VICTOR MIRO QUESADA, WHICH HAS STUDIED BOTH THE PROPOSALS AND THE ENTIRE ENTERPRISE FOR

MANY MONTHS. THE COMMISSION AND THE CERRO ORGANIZATION HAVE COOPERATED FULLY IN THIS WORK IN LIMA, IN THE SIERRA, AND IN NEW YORK.

THE COMMISSION HAS ADVISED CERRO THAT ITS STUDIES ARE COMPLETED AND THAT IT DESIRES TO COMMENCE NEGOTIATIONS SOON. CERRO IS WILLING TO COMMENCE NEGOTIATIONS AT THE COMMISSION' S CONVENIENCE.

THE COMMISSION HAS ALSO INFORMED US THAT IT WISHES TO STUDY THE PROPOSED MAJOR EXPANSIONS FURTHER AFTER THE ACQUISITION OF AN INTEREST IN CERRO DE PASCO IS COMPLETED.

MEANWHILE, CERRO CAN ASSURE THE PERSONNEL AT ALL LEVELS IN THE ORGANIZATION IN PERU THAT THEIR JOBS WILL BE RESPECTED, TOGETHER WITH ALL OF THEIR SALARIES, SOCIAL BENEFITS, RIGHTS AND PRIVILEGES. THIS APPLIES TO EMPLOYEES OF ALL LEVELS, CATEGORIES AND NATIONALITIES. THE COMMISSION HAS ASKED US PARTICULARLY TO EMPHASIZE THIS POINT TO THE ORGANIZATION AND WE UNDERSTAND THAT IT IS MAKING SIMILAR STATEMENTS.

IN THE MEANTIME, AS WAS STATED IN A NOTICE TO THE PUBLIC OF JUNE 4, OUR ORGANIZATION IN PERU IS IN EXCELLENT CONDITION IN ALL RESPECTS.

WE ARE CONFIDENT THAT OUR DISCUSSIONS WITH THE GOVERNMENT WILL CONTINUE TO BE CORDIAL AS THEY HAVE BEEN IN THE PAST.

WE LOOK FORWARD TO AN EARLY AND AMICABLE CONCLUSION OF THE NEGOTIATIONS AND TO THE CONTINUED STRENGTH AND GROWTH OF THE ORGANIZATION FOR MANY YEARS TO COME. END QUOTE. RUSH

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